News from

Congressman Ron Kind

REPRESENTING WISCONSIN'S THIRD CONGRESSIONAL DISTRICT

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Bush Budget Raises Taxes on Wisconsin Dairy Farmers; Makes Cuts to MILC

New Dairy Tax Would Cost the Average Wisconsin Dairy Farmer $443

Washington, DC –On Monday, President Bush released a $2.77 trillion FY 2007 budget that slaps dairy farmers with a new tax, and undercuts the Milk Income Loss Compensation (MILC) program, the important safety net for farmers when milk prices fall. The budget proposal, which includes significant boosts to military and defense programs but drains funds from all domestic priorities other than homeland security, forecasts a record-setting budget deficit of $423 billion. U.S. Rep. Ron Kind (D-WI) assailed the budget for targeting dairy farmers to pay for the record deficits and called on Congress to reject the measures.

"The President's budget deals a double whammy to Wisconsin's dairy farmers by imposing a new tax on their production at the same time it makes cuts to the MILC," stated Rep. Kind, a member of the House Budget Committee. "Under the Bush Administration, the surplus has taken an $8.9 trillion nosedive, and now the President is asking dairy farmers to sacrifice in the name of deficit reduction. Ironically, this budget projects a record $423 billion deficit and fails to improve the long-term outlook of our nation's fiscal health."

Within the FY 2007 budget for the U.S. Department of Agriculture, there is a specific provision to initiate "an assessment of three cents per hundredweight of milk produced would be paid by all dairy producers on all of their production."

According to the most recent numbers available from the U.S. Department of Agriculture (USDA), Wisconsin's 14,861 dairy farms are the home to 1,236,000 milk cows, averaging 83 cows per farm. Applying a USDA estimate that the average milk cow produces 17,796 pounds of milk per year (178 hundredweights), <u>it is calculated that Wisconsin dairy farmers would have to pay an average of $443 per year should the President's dairy tax be approved</u>. The tax on a 100- cow farm would be $534; a 150-cow farm would have to pay $801. The total tax on the state of Wisconsin, which in 2004 produced $22.085 billion pounds of milk, would be $6.6 million.

In addition to the 3 cent dairy tax, the budget also proposes to reduce payments to the MILC program by 5 percent. Established in the 2002 Farm bill, MILC provides a basic level of direct support for dairy producers in uncertain markets. The cut comes despite the President's repeated pledge during his 2004 reelection campaign to support this important safety net for dairy farmers.

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"The President clearly forgot his promise to America's dairy farmers to fully support the MILC and he adds insult to injury with the new three cent dairy tax," stated Kind. "Our nation's dairy farmers cannot afford the uncertainty that these proposals would create, and Congress should quickly reject them."

The silver-lining in the President's agriculture budget, noted Kind, is the inclusion of a $250,000 cap on commodity payments, which would limit excessive government subsidies to the largest farm operators. Kind has consistently stated that domestic farm spending should be restructured with the implementation of payment caps, increased conservation spending, inclusion of a USDA agriculture-derived energy program, and federal research funds.

The President's budget is referred to the House Budget Committee, which will spend the next month-and-a-half debating the document.

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